

*Washington, DC* - In an effort to provide direct financial relief to tens of millions of American families, Congressman Maurice Hinchey (D-NY) today announced that he has introduced legislation that would cap interest rates on credit cards and all other loans at 15 percent. The Interest Rate Reduction Act would rein in the skyrocketing rates that banks and financial institutions are charging customers with little or no warning and without any justification.

"Many hardworking Americans are using credit cards to make ends meet in this recovering economy, but credit card companies are finding new ways to squeeze the middle class despite significant reforms in the last Congress," said Hinchey. "Credit card companies are charging interest rates as high as 50 percent, trapping millions of Americans in a spiral of debt, forcing bankruptcies, and ruining peoples financial futures. We need to put an end to this legalized loan sharking. A fair and healthy lending system is critical to the success of hardworking Americans and the recovery of the economy. This bill helps limit credit card and general lending abuse by placing a reasonable cap on the rates that can be charged to Americans."

Hinchey's legislation would impose a 15 percent interest rate cap on all consumer lending from financial institutions, like banks and credit card companies. The Federal Reserve could allow higher interest rates, but only under special circumstances when it determines that the 15 percent cap would threaten the safety and soundness of lenders, and if money market interest rates have risen over the prior six months.

These are the same rules that currently apply to credit unions, which have been forbidden from charging usurious interest rates on credit cards and other loans to their members for nearly 30 years. The interest rate cap that has protected consumers at credit unions from being charged usurious interest rates has not harmed the safety and soundness of these institutions; and has not negatively impacted the access to credit of credit union members. Furthermore, credit unions have been able to stay afloat throughout the credit crisis and have not received one dime of taxpayer assistance.

In the 111th Congress, Hinchey helped pass the Credit Cardholders' Bill of Rights to protect New Yorkers from unfair rate increases, excessive fees, due date gimmicks and misleading terminology. He also authored a bill to cap credit card interests rates at 18 percent. Despite those significant reforms, credit card debt in the U.S. still totals nearly \$800 billion. The average American household which has credit card debt carries a balance of nearly \$15,000.

